Process Review– Procurement Overview

Logistics

October 2014

LaGov

Process Review Session Agenda

- Purpose
- Commodity and Operational Service Procurement Business Process Review
- LaGov - Key Process Elements
- Future Sessions
- Organizational Impacts Identified
- Questions

Purpose of Process Review Sessions

- **Process Review Sessions are intended to review the current LaGov system processes:**

    - Review system processes
        - Highlight decisions that define the process, approval steps, and integration points

    - Review and discuss system process features
        - Highlight key system features and processes

    - Identify areas of changing process, roles, and responsibilities

Purpose of Today's Review Session

High Level Review
- Commodity and Operational Services Procurement Processes

Address
- Key features of system processes

Identify
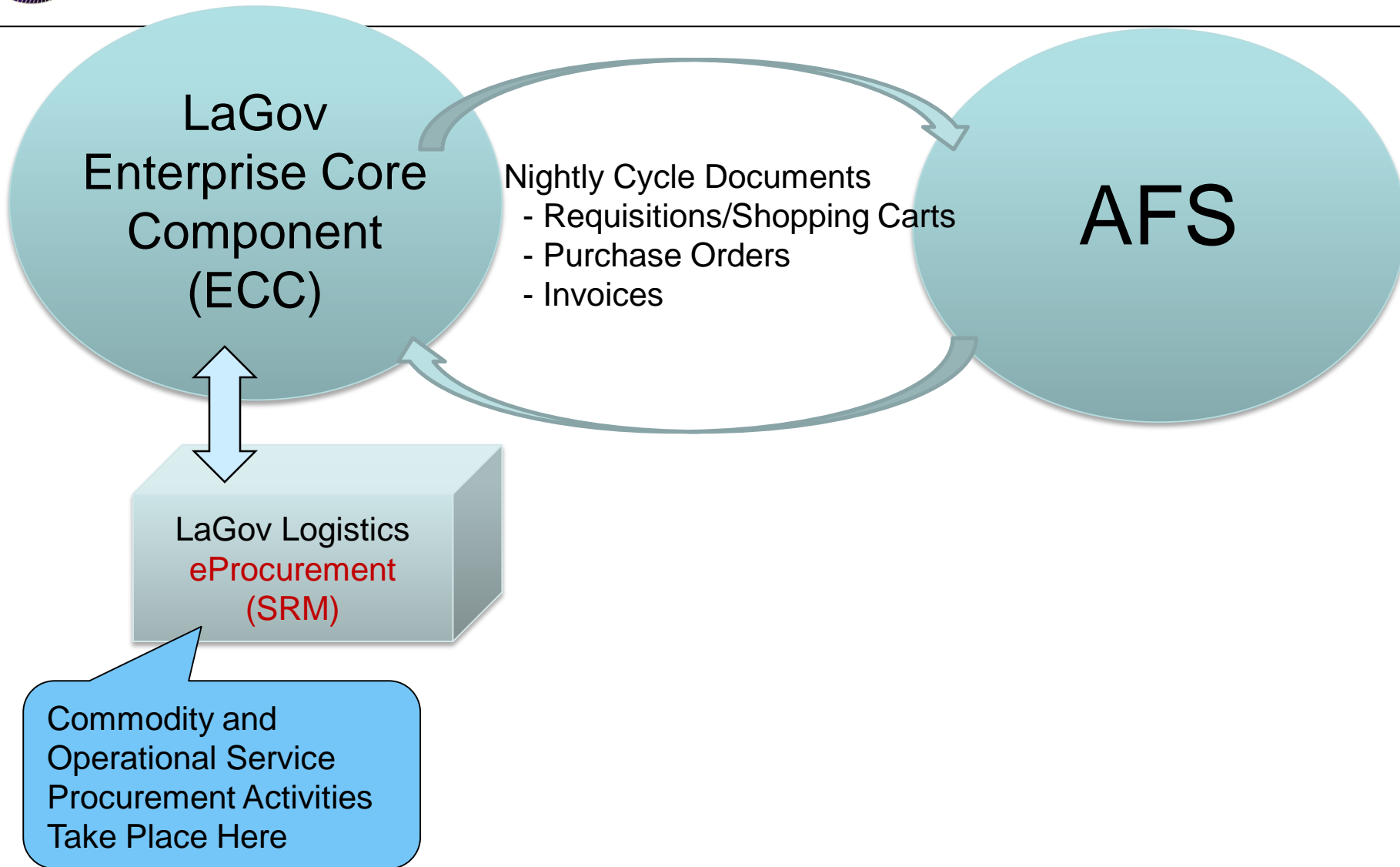- Areas of changing processes, roles, and responsibilities

Project Fundamentals

- System is already built and proven
- Commodities procurement business processes have now been used by multiple agencies
- Standardized Statewide business processes
- Key project tasks include:
  - Building required interfaces to AFS system
  - Vendor conversion
  - Design/Build/Implement non-state procurement process
  - Business Readiness/Training
- Leverage existing financials used in Payroll
  - Financial coding objects
  - SAP/AFS interfaces

LaGov Enterprise Core Component (ECC)

Nightly Cycle Documents
- Requisitions/Shopping Carts
- Purchase Orders
- Invoices

AFS

LaGov Logistics
eProcurement
(SRM)

Commodity and Operational Service Procurement Activities Take Place Here

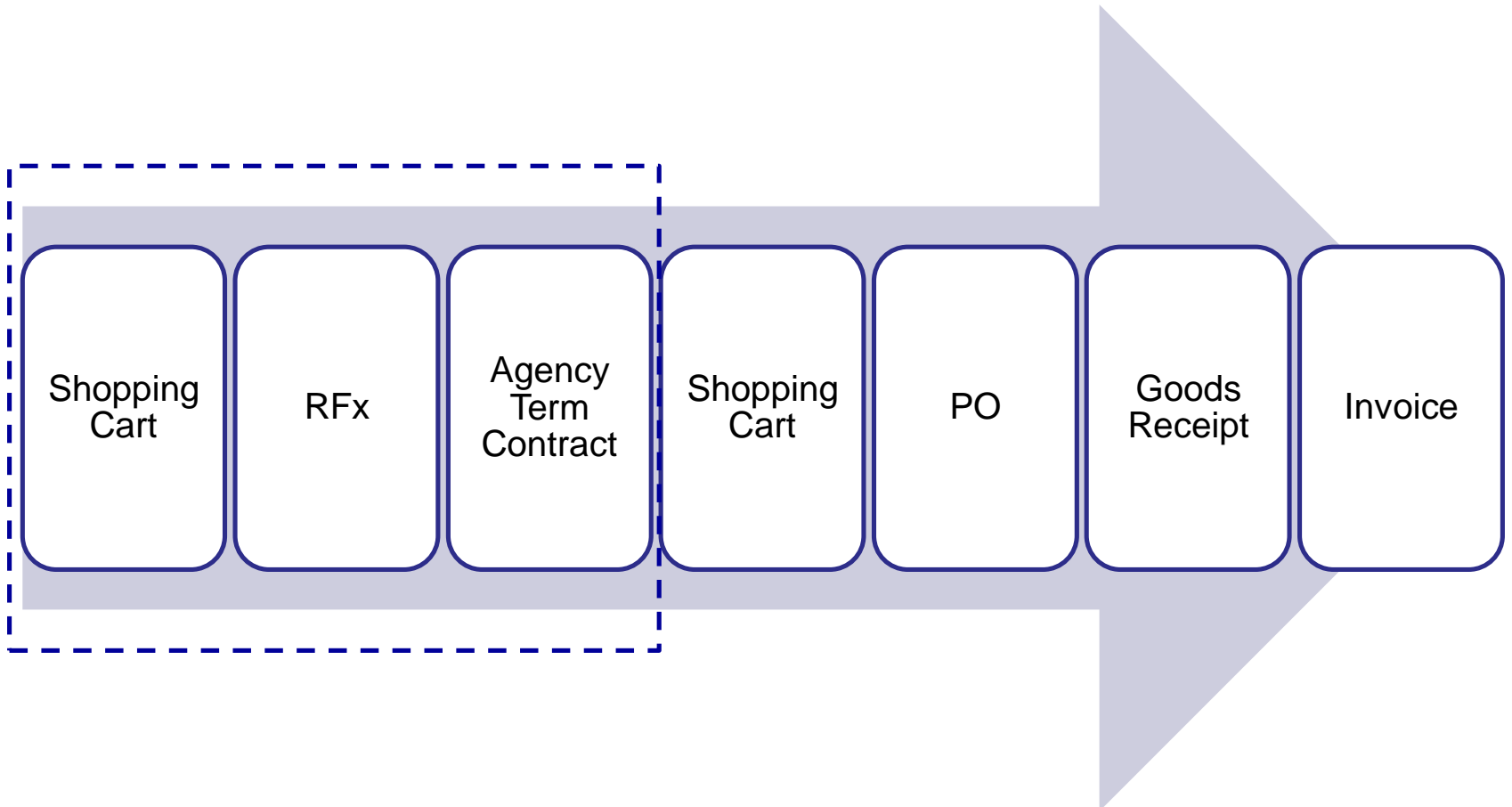# COMMODITY AND OPERATIONAL SERVICES PROCUREMENT

Commodities

- Office Supplies, Lab Equipment, Vehicle Purchases

- Purchases from Statewide Commodity Contracts

Operational Services

- Routine services that are not considered to be professional, social, consulting, or personal services
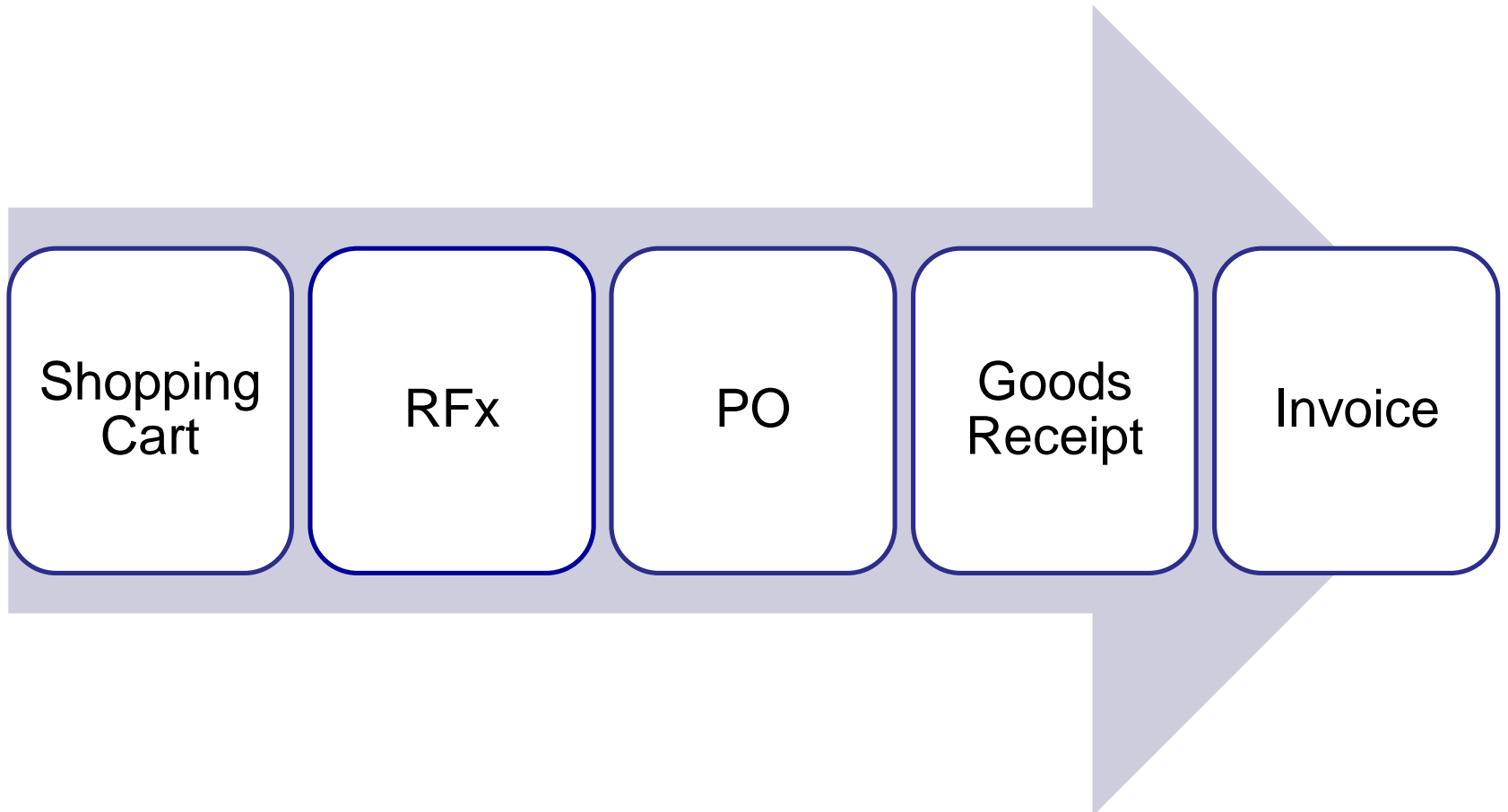
- Pest Control, Garbage Collection, etc.

Commodities Procurement Overview

Shopping Cart → RFx → Agency Term Contract → Shopping Cart → PO → Goods Receipt → Invoice

Shopping Cart → RFx → PO → Goods Receipt → Invoice

LaGov - KEY PROCESS ELEMENTS

Vendor Master – static information about a vendor including their address, name, phone numbers, contact person names, etc. is contained in a vendor master record. The vendor's number is referenced on documents in the system. The number is a sequentially assigned number and is not their TaxID.

The United Nations Standard Products and Services Code (UNSPSC) replaces the NIGP commodity code and consists of:

- Hierarchical classification with four levels.
  - Levels allow for reporting by drilling down or rolling up for analysis.
  - Each level in the hierarchy has its own unique number.

Using the UNSPSC Hierarchy, the UNSPSC code for Ball Point Pens Refills would be "**44121704**".

44 = Segment of Office Equipment, Accessories and Supplies

   12 = Family of Office supplies

      17 = Class of Writing instruments

         04 = Commodity of Ball point pen refills

A Plant in LaGov is an Agency or Business Area.

Purchasing Groups (Buyers) - are responsible for day-to-day procurement (commodity and services) activities.
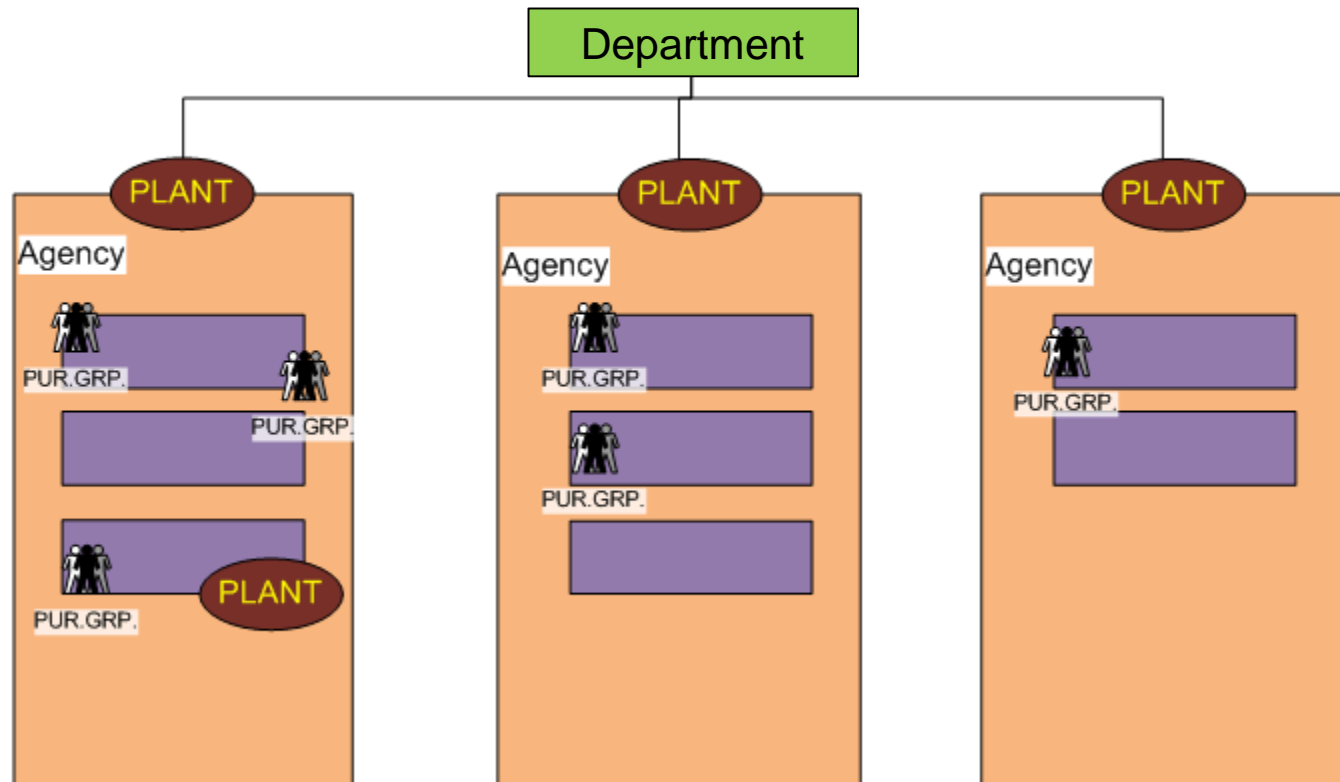
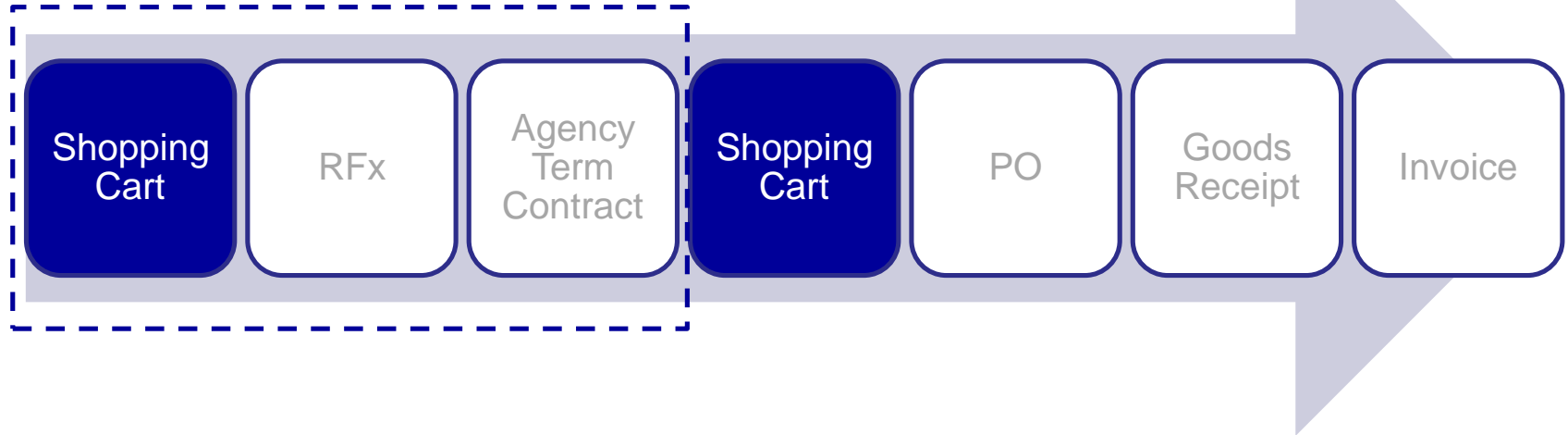# High Level Organizational Structure

DEPARTMENT

AGENCY

SECTIONS / LOCATIONS

Department

PLANT — Agency — PUR.GRP. — PUR.GRP. — PUR.GRP. — PLANT

PLANT — Agency — PUR.GRP. — PUR.GRP.

PLANT — Agency — PUR.GRP.

Commodity Procurement

Shopping Cart | RFx | Agency Term Contract | Shopping Cart | PO | Goods Receipt | Invoice

General Definition: Shopping Cart Process

- The Shopping Cart can be the starting point of the procurement process similar to today's purchasing requisition and documents the item(s) or service(s) which need to be procured in the system

- End Users (Requestors) can create requests for purchases and identify which budget accounts are to be pre-encumbered

- All Shopping Carts go through an approval process before they are released for further processing

- The Shopping Cart pre-encumbrance takes place in AFS via the nightly cycle after all approvals are obtained

- The Shopping Cart is followed by a Purchase Order, RFx, or Contract created by a Buyer

- Some Shopping Carts that meet certain criteria, once approved, will automatically generate a PO without interaction from a Buyer

Header Attributes – Contains information about the entire Shopping Cart

- Shopping Cart Name
- Approval Notes

Line Attributes - Contains information about the individual goods or services that the creator wants to procure

- Item Description
- Unit of Measure
- Price
- Accounting Information
- Long Text and Attachments

Types of Shopping Cart Lines

- Internal Catalogs

- Punchout Catalogs

- Describe Requirement

Account Assignment

Each Shopping Cart line can be apportioned to different accounting objects and accounts.

Split Accounting Distribution

Each line can also be split between multiple account assignments.

Account Assignment

AFS accounts will be used in LaGov where appropriate.

AFS	LaGov
Object	General Ledger
Agency + Expense Org	Cost Center
Agency + Rep. Category	Fund
Activity	WBS
Sub Object	Fund Center

Once all of the required information is entered in a Shopping Cart and no errors are displayed to the user, the Shopping Cart can be "Ordered".

This ordering of the Shopping Cart routes the Shopping Cart through the predetermined approval process.

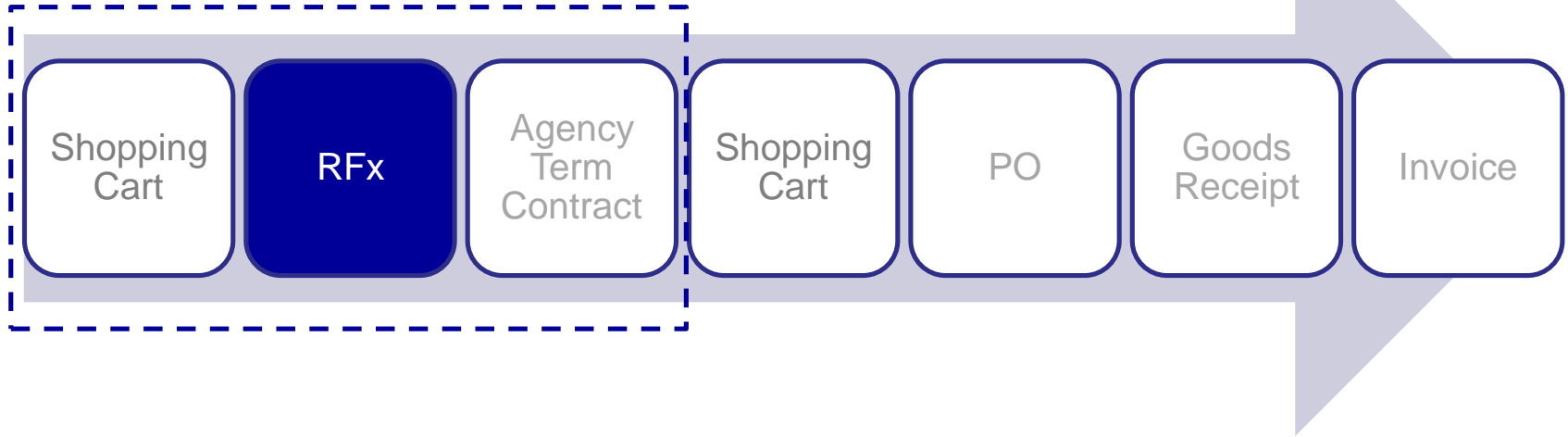Approvers are dynamically determined based on the data entered in the Shopping Cart.

Demonstration

Commodity Procurement

Shopping Cart

RFx

Agency Term Contract

Shopping Cart

PO

Goods Receipt

Invoice

An RFx in SRM is an invitation extended to vendors by a buyer to submit a Bid Response for the supply of materials or performance of services. This term is interchangeable with ITB's, RFP's, and Solicitations.

RFx Structure

- Header
  - Contains information about the entire RFx
- Line item
  - Contains entries about the individual goods or services that the creator wants to solicit

The RFx can be created from:
- Shopping Carts
- Directly Typing in Requirements

All information is copied from the Shopping Cart when one is used to create the RFx.

Attachments such as Word Docs, Excel Sheets, PDFs, etc. can be added to the RFx.

Once all required information is entered, the RFx is sent to any required approvers.

Once all approvals have been obtained, the RFx is published to the LaPAC website.

LaPAC then notifies registered vendors of the RFx via email.

An RFx Response (Bid) is submitted offline by a Bidder and must be entered by a buyer at the time the RFx is opened. This entry method is known as "Surrogate Bidding" in SRM.

Once all Responses are entered in SRM, they can be compared and evaluated in the system.

The buyer has the option to award a single bidder or multiple bidders to create a PO(s) or Contract (s).

Once the RFx Response is awarded, the Response is sent to any required approvers.

Once the follow-on document (PO or Contract) is created, LaPAC is updated and posts the award information.
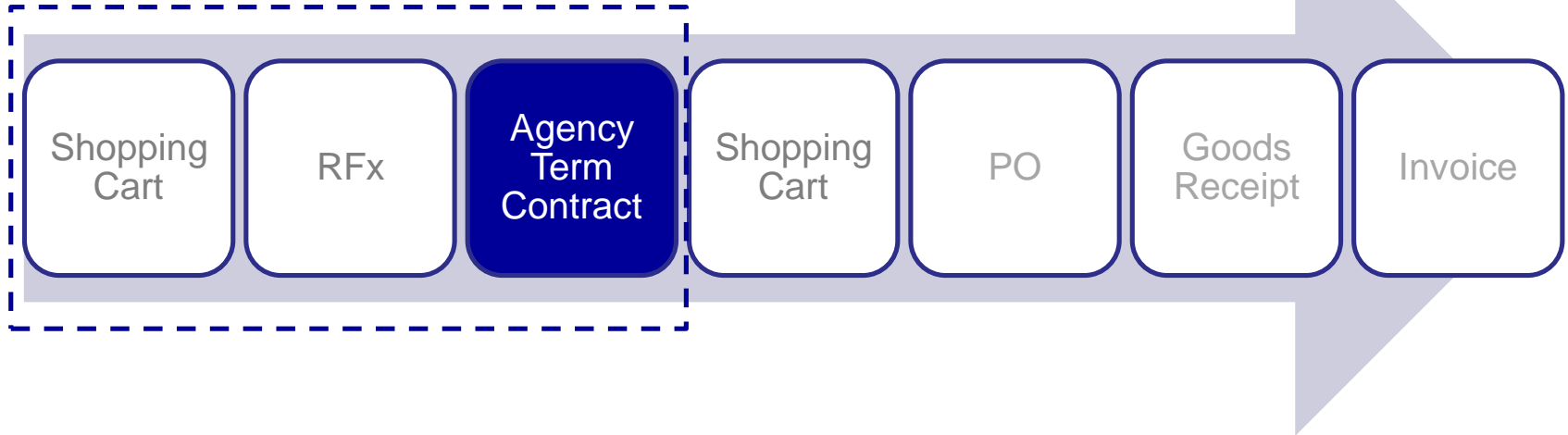
Demonstration

Commodity Procurement

Shopping Cart → RFx → **Agency Term Contract** → Shopping Cart → PO → Goods Receipt → Invoice

A Contract document in SRM is used to identify an agreement between the State and a Vendor to supply commodities at pre-determined prices.

A Contract does not encumber funds when created and is not used to pay invoices.

Contracts are referenced by Shopping Carts and Purchase Orders to access pre-determined pricing and Terms and Conditions.

A Contract can be created from an RFx Response or by directly entering the required information on the document.

Contract Structure

- Header
  - Contains information about the entire Contract
- Line item
  - Contains entries and details about the individual goods that the Vendor has agreed to supply

Once all required information is entered, the Contract is sent to any required approvers.
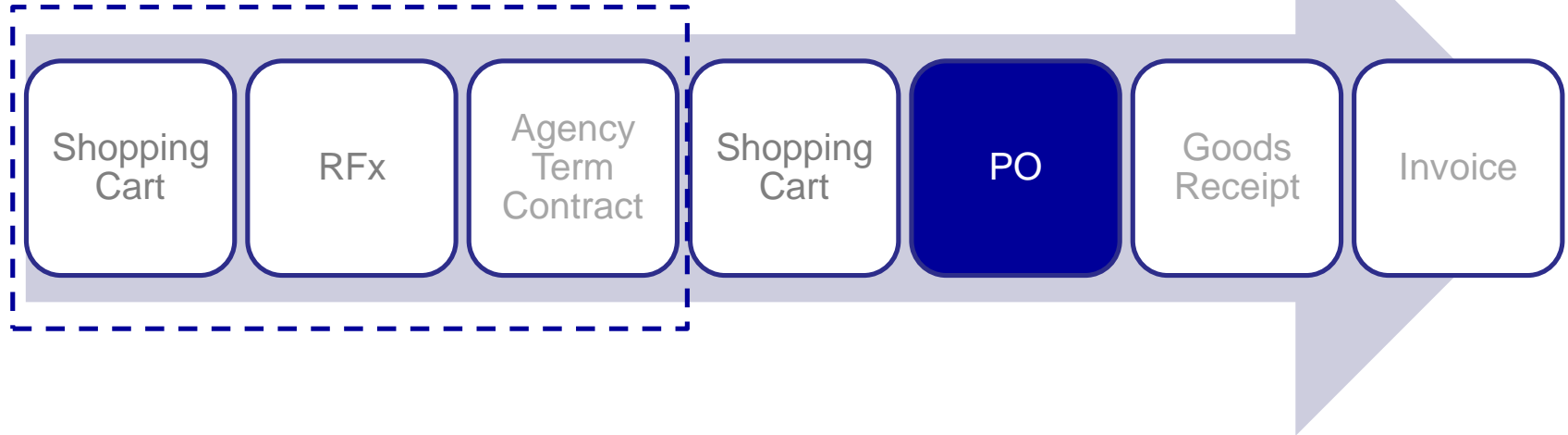
Demonstration

Commodity Procurement

Shopping Cart — RFx — Agency Term Contract — Shopping Cart — **PO** — Goods Receipt — Invoice

Purchase Orders are created in SRM by a buyer from an approved shopping cart or accepted RFx response for both commodities and services. Purchase Orders are also generated automatically if certain criteria are met.

Purchase Order Structure

- Header
  - Contains information about the entire purchase order
- Line item
  - Contains entries about the individual goods or services that the creator wants to procure

Account Assignments and Accounting Data

- Account assignment information and all other fields will be adopted into the PO line item from the shopping cart.
- An item on the PO can be funded from a single funding source or from multiple sources (on a percentage, value or quantity basis).

Encumbrance

- Shopping Cart pre-encumbrance is reduced/liquidated and PO encumbrance is created (via the nightly cycle) after all required approvals are obtained.
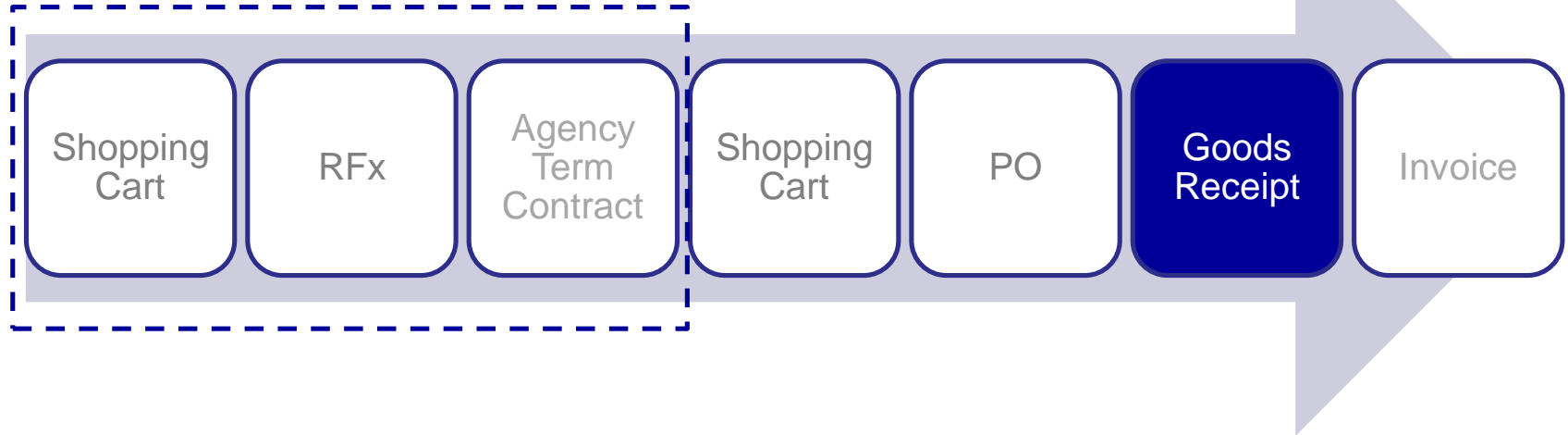
Demonstration

Commodity Procurement

A Goods Receipt for a Commodity procurement is entered in LaGov to confirm when the goods on a PO have been delivered by the Vendor.
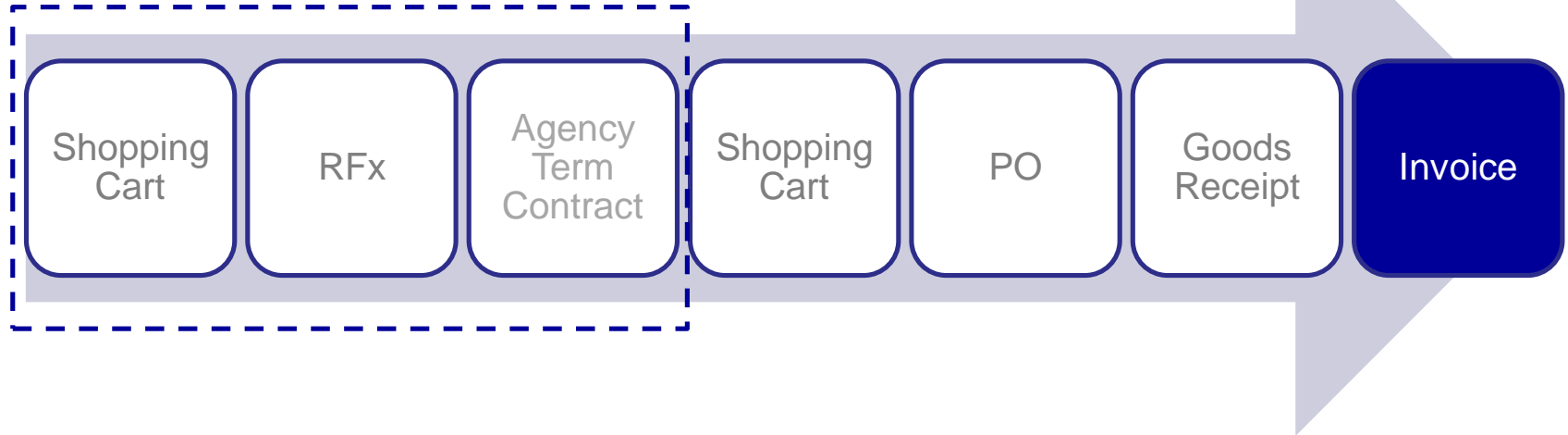
A Service Entry for a Service procurement is entered in LaGov to confirm when the services on a PO have been performed by the Vendor.

A Goods Receipt or Service Entry must be performed prior to payment of an invoice.

Commodity Procurement

Shopping Cart → RFx → Agency Term Contract → Shopping Cart → PO → Goods Receipt → **Invoice**

The paper version of the invoice from the Vendor requesting payment is entered in LaGov as an Invoice.

An Invoice is typically created after the goods receipt or service performance has been confirmed. It includes general invoice information, such as total amount, total tax, freight costs, vendor and invoice recipient, and other detailed information.

The invoice must match the PO and Goods Receipt or Service Entry to be released for payment.

Additional Detail of Topics Discussed Today

Commodity and Operational Services Procurement Process Review
October 14th and 15th

Procurement Master Data
October 21st and 22nd

Conversion Strategy Discussion
Dates to be announced

Organizational Impacts

Security Considerations

Project Documentation Location:

http://www.doa.louisiana.gov/ois/lagov/srm/srm_conversion.htm

Questions?